

**Joint Legislative Budget Committee
Staff Memorandum**

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DATE: March 28, 2002

TO: Representative Laura Knaperek
Senator Ruth Solomon

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Senior Fiscal Analyst

SUBJECT: ESTIMATED CLASSROOM SITE FUND PER PUPIL AMOUNT FOR
FY 2003

A.R.S. § 15-977 (B1) requires our office to determine a per pupil amount from the Education 2000 (Proposition 301) Classroom Site Fund (CSF) by March 30th of each year. Attachment 1 shows that for the upcoming fiscal year (FY 2003) we currently estimate that this amount will be **\$239.47** per “Group A weighted” pupil. The discussion below describes how we derived this estimate. It also provides an updated CSF per pupil funding estimated for the current fiscal year (FY 2002).

FY 2003 Estimate

A.R.S. § 15-977(B1) specifies that the estimated per pupil funding amount from the CSF for a given budget year is to be based on 1) the estimated “Group A weighted” pupil count for the current year and 2) estimated available resources in the CSF for the budget year. We currently estimate that the “Group A weighted” student count for the current year will be 1,096,688 pupils and that the CSF will have \$262,624,600 in available funding for FY 2003 (please see attached sheet). It is from these 2 figures that we have derived the \$239.47 per pupil CSF estimate for FY 2003 ($\$262,624,600 / 1,096,688 = \239.47 per “Group A weighted” pupil).

The “Group A weighted” student count estimate of 1,096,688 pupils assumes 5% growth above our current estimate for FY 2002. This is somewhat higher than the 3% growth rate that is assumed in our current budget estimates for Basic State Aid in order to allow for contingencies (especially since the “base” (FY 2002) pupil count that the 5% growth rate would apply to is not yet final).

The CSF revenue estimate of \$262,624,600 for FY 2003 assumes 3.8% growth in Education 2000 (0.6 cent) sales tax revenues above FY 2002. This is consistent with the 3.8% growth rate that we currently assume for *all* sales tax collections for FY 2003.

The CSF allocation formula in A.R.S. § 15-977(B1) is based on *weighted* rather than *unweighted* student counts. On an *unweighted* student count basis, the estimated CSF allocation per pupil for FY 2003 would be \$291.06 rather than \$239.47. This is because we currently estimate that there will be about 902,310 *unweighted* ADM pupils in public schools statewide during FY 2003 ($\$262,624,600 / 902,310 = \291.06 per *unweighted* ADM pupil).

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The estimated \$239.47 CSF funding amount per “Group A weighted” pupil for FY 2003 is only \$2.34 higher than the revised estimate for FY 2002 (\$237.13) that appears in Attachment 1. One factor that will keep this amount from growing by more than \$2.34 in FY 2003 is the cost of one additional school day in FY 2003. (The school year in FY 2003 will be 177 days long versus 176 days in FY 2002). The cost for *both* additional school days (1 for FY 2002 and 1 more for FY 2003) in FY 2003 is \$31,530,100 versus \$15,305,900 for the single additional school day in FY 2002. Additional school days are paid for with 0.6 cent (Proposition 301) sales tax revenues, which reduces the amount of funding available for the Classroom Site Fund. (Attachment 1 shows an Additional School Days cost of \$17,933,408 for FY 2002, but this includes the 1st month of the additional school day cost for FY 2003 due to some first-year cash flow issues for Proposition 301 programs.)

FY 2002 Estimate (revised)

Attachment 1 shows that our revised CSF per pupil estimate for the current year (FY 2002) is **\$237.13** per “Group A weighted” pupil. This is \$35.29 per pupil lower than the \$272.42 per pupil amount that was identified for FY 2002 last June (please see *Table 1* in Attachment 2). Most of the “shortfall” is related to lower than expected sales tax revenue growth for FY 2002, since the \$272.42 amount assumed 4% sales tax growth versus (0.5)% growth in our current estimate. Part of the shortfall, however, is due to a higher than expected “Group A weighted” student count for FY 2002.

The original (June 21, 2001) \$272.42 per pupil estimate for FY 2002 assumed a total “Group A weighted” student count of 1,031,000 pupils. The Arizona Department of Education (ADE), however, currently estimates that there will be 1,044,465 “Group A weighted” pupils in public schools this year. The higher than expected “Group A weighted” student count for FY 2002 is partly due to the inclusion of ASDB and DJC in the CSF allocation formula, pursuant to Laws 2001, Chapter 6, 2nd Special Session (the Education ORB from the December 2001 budget special session). It also is related to student counts for high school pupils who live in elementary school districts that are not located within a high school district, since ADM counts for those students were inadvertently excluded from our original estimates. (Those students are funded through state or local-paid “tuition” rather than directly through ADM counts and therefore do not “roll up” into the Group A weighted ADM counts in our Basic State Aid estimation model. They do, however, increase enrollments in the high school districts that serve them and therefore are included in ADE allocations of CSF monies.)

FY 2002 Shortfall Implications

The state General Fund is *not* obligated to compensate school districts and charter schools for the estimated \$35.29 shortfall in CSF per pupil funding for FY 2002. This is because the Education ORB from the December 2001 budget special session amended A.R.S. § 15-977 in order to clarify that the state General Fund is *not* required to make up for shortfalls in estimated CSF revenues. Under current law, therefore, school districts and charter schools will receive less CSF funding than they originally expected to receive for FY 2002.

As you know, school districts and charter schools have been seeking the passage of legislation (SB 1232) in order to make local CSF accounts “budget controlled” rather than “cash controlled.” This would enable them to cover the estimated \$35.29 per pupil shortfall for FY 2002 (relative to

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the original \$272.42 per pupil amount) by essentially running a temporary deficit in their local CSF accounts. Those deficits would then be paid back with CSF monies from FY 2003, which would reduce local CSF spending for FY 2003 (but with enough lead time so that school districts and charter schools could adjust their FY 2003 budgets accordingly). Without the “budget controlled” statutory language, school district and charter schools CSF spending for FY 2002 will be limited to whatever CSF cash is distributed to them for FY 2002, which we again estimate at \$237.13 per pupil.

A.R.S. § 15-977(B1) does not prescribe a mechanism for “adjusting” CSF per pupil amounts after their original determination. It therefore does not require the legislature to formally revise the original (June 21, 2001) per pupil amount (\$272.42) down to a more current estimate (such as our current estimate of \$237.13). School districts and charter schools have indicated that they would prefer to leave the original (\$272.42) amount “in effect” in case SB 1232 becomes enacted into law. This would enable them (if SB 1232 became law) to spend \$272.42 per pupil from their local CSF accounts for FY 2002, even if the state level CSF is only able to allocate \$237.13 (or some other lesser amount) during FY 2002.

Please call me at 542-5491 if you have questions regarding this information.

SSC:jb

Attachments (2)

xc: Representative Linda Gray, Chairman, House Education Committee

Senator Ken Bennett, Chairman, Senate Education Committee